



[SEC Open Meeting Today To Approve VC Fund Exemption To Adviser Act Registration](#)

June 22, 2011

The SEC is having a meeting today at which it will approve rules defining which types of venture capital funds will be exempt from having to register as investment advisers under the Investment Advisers Act.

From [the proposed rules](#):

As described in more detail below, we propose to define a venture capital fund as a private fund that: (i) invests in equity securities of private companies in order to provide operating and business expansion capital (i.e., “qualifying portfolio companies,” which are discussed below) and at least 80 percent of each company’s securities owned by the fund were acquired directly from the qualifying portfolio company; (ii) directly, or through its investment advisers, offers or provides significant managerial assistance to, or controls, the qualifying portfolio company; (iii) does not borrow or otherwise incur leverage (other than limited short term borrowing); (iv) does not offer its investors redemption or other similar liquidity rights except in extraordinary circumstances; (v) represents itself as a venture capital fund to investors; and (vi) is not registered under the Investment Company Act and has not elected to be treated as a BDC.

See also [this WSJ article](#).

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